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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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Date:

December 18, 2008

Legend

Distributing =

Controlled =

QSub 1 =

QSub 2 =

QSub 3 =

QSub 4 =

QSub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

QSub 9 =

QSub 10 =

Corp =

Country X =

Country X Act =

Country X Location =

Business 1 =

Business 2 =

Structure =

Shareholder A =

Shareholder B =

a =

b =

c =

d =

e =

f =

g% =

h% =

\$w =

\$x =

\$y =

z =

Date 1 =

Date 2 =

Date 3 =

Dear :

This letter responds to your May 9, 2008 letter from your authorized representatives requesting rulings on certain federal income tax consequences of a proposed transaction. Additional information was received in letters dated June 20, July 31, August 15, September 3, September 29, November 11, and December 11, 2008. The information provided in these letters is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and except where expressly provided has made no determination regarding, whether the Distribution (described below): (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in Distributing or Controlled (see § 355(e) and § 1.355-7).

Distributing is a holding company that is an S corporation. Distributing, through its QSubs¹ and disregarded entities, is engaged in Business 1 and Business 2, among other businesses. Business 2 owns, maintains and operates Structure. Distributing has outstanding Class A voting and Class B non-voting common stock, held as follows:

Shareholder	Number of Class A Voting Shares	Percentage	Number of Class B Non-Voting Shares	Percentage
A	a	g%	d	g%
B	b	h%	e	h%
Total	c	100%	f	100%

Individuals A and B are father and son, respectively (collectively, the "Shareholders").

¹ QSub means a corporation intended to be a qualified subchapter S subsidiary.

Distributing wholly owns QSub 1, and QSub 1 wholly owns QSub 2. QSub 2 wholly owns QSub 3, QSub 4 and QSub 5. QSub 1 also wholly owns Sub 6. Sub 6 wholly owns Sub 7 and Sub 8. Sub 6, Sub 7 and Sub 8 are Country X corporations.

Distributing also wholly owns QSub 9, and QSub 9 wholly owns QSub 10.

Financial information has been received indicating that Business 1 and Business 2 has each had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

For what are represented to be valid corporate business purposes described herein, Distributing desires to separate Business 1 and Business 2. The separation is intended to be accomplished by the following steps (the "Proposed Transaction"):

Preliminary Steps

(i) Distributing will form QSub 11, a wholly owned domestic corporation for which it will file a QSub election effective from inception.

(ii) Corp will issue a note in the amount of \$y to Distributing (the Corp Note). The term of the Corp Note will be for z years. The Corp Note will bear interest compounded and payable semi-annually at a rate equal to the applicable Federal rate provided in § 1274(d). Corp will issue the Corp Note to Distributing in partial satisfaction of a dividend in the amount of \$w declared by Corp in favor of Distributing on Date 3.

The Country X Liquidation

(iii) QSub 1 will transfer all of its stock in Sub 6 to QSub 2 in exchange for additional shares of QSub 2 stock.

(iv) Sub 6 will dissolve into QSub 2 under Country X law (the "Liquidation").

The Butterfly Transactions

(v) QSub 2 will form and transfer nominal capital to N1, a newly created Country X company that is treated as a disregarded entity for Federal income tax purposes, in exchange for all of the outstanding stock of N1.

(vi) QSub 2 will transfer all of the stock of QSub 3, QSub 4 and Sub 8 to N1 in exchange for additional shares of N1 and the assumption of related debt by N1.

(vii) QSub 1 will form and transfer nominal capital to N2, a newly created Country X company that is treated as a disregarded entity for Federal income tax purposes, in exchange for all of the outstanding stock of N2.

(viii) QSub 1 will transfer a percentage (x%) of the QSub 2 stock to N2 in exchange for additional shares of N2 stock. The number of shares of QSub 2 stock transferred will equal the total shares of QSub 2 stock outstanding multiplied by a fraction the numerator of which is the fair market value of the assets transferred to N1 and the denominator of which is the total fair market value of QSub 2.

(ix) QSub 2 will transfer the stock of N1 to N2 in exchange for preferred shares of N2 stock. The preferred shares of N2 stock will be retractable redeemable preferred shares with a fair market value equal to the x% of QSub 2 shares held by N2.

(x) QSub 2 will redeem the x% of its shares held by N2 for a promissory note (the "QSub 2 Note").

(xi) N2 will redeem its preferred shares held by QSub 2 for a promissory note (the "N2 note").

(xii) The N2 Note and the QSub 2 Note will be legally set-off and cancelled since they will be equal in value.

(xiii) Distributing will transfer a percentage (y%) of its QSub 1 stock to QSub 11 in exchange for QSub 11 shares of equal fair market value. The fair market value of the y% of QSub 1 stock will equal the fair market value of the N2 shares.

(ix) QSub 1 will transfer its N2 shares to QSub 11 in exchange for redeemable shares of QSub 11. The fair market value of these QSub 11 shares will equal the fair market value of the N2 shares.

(xv) QSub 1 will redeem the y% of its shares held by QSub 11 for a promissory note (the "QSub 1 Note").

(xvi) QSub 11 will redeem its shares held by QSub 1 for a promissory note (the "QSub 11 Note").

(xvii) The QSub 11 Note and the QSub 1 Note will be legally set-off and cancelled since they will be equal in value.

(xviii) QSub 1 will assume liabilities (within the meaning of § 357(d)) of approximately \$x of Distributing's third-party debt (approximating Business 2's pro rata portion of the liabilities of Distributing).

(xix) Distributing will transfer the Corp Note to QSub 1.

(xx) Distributing will transfer all of its QSub 1 stock to Controlled, a newly formed wholly owned domestic corporation for which it will file a QSub election effective from inception, in exchange for shares of Controlled stock.

(xxi) The Shareholders will transfer, on a pro-rata basis, a percentage (z%) of their Distributing stock to Controlled in exchange for shares of Controlled stock. The fair market value of these Controlled shares will equal the fair market value of the QSub 1 shares.

(xxii) Distributing will redeem the z% of its shares held by Controlled for a promissory note (the "Distributing Note").

(xxiii) Controlled will redeem its shares held by Distributing for a promissory note (the "Controlled Note").

(xxiv) The Controlled Note and the Distributing Note will be legally set-off and cancelled since they are of equal value.

The taxpayer intends to disregard the steps of the Butterfly Transactions for Federal tax purposes and instead treat those steps as if: (a) Distributing had transferred the assets of QSub 1 and QSub 2, plus the Corp Note, to Controlled in exchange for stock of Controlled and the assumption by Controlled of related liabilities (the "Contribution"), and (b) Distributing had distributed the Controlled stock pro rata to the Shareholders (the "Distribution").

Additional debt incurred

(xxv) QSub 1 will issue approximately \$x of additional debt to unrelated parties and use the proceeds to satisfy debt in the same amount assumed from Distributing.

The Elections

(xxvi) Controlled, with the consent of the Shareholders, will (a) elect to be treated as an S corporation effective immediately following the Distribution for Controlled's first taxable year and (b) make QSub elections for QSub 1 and QSub 2 effective immediately following the termination of their current QSub elections.

The taxpayer has made the following representations in connection with the Proposed Transaction:

The Liquidation

(a) Distributing, on the date of adoption of the plan of liquidation for Sub 6 (the "Plan of Liquidation"), and at all times until the Liquidation is completed, will be the owner

(through QSub 1 and QSub 2) of at least 80% of the single outstanding class of stock of Sub 6.

(b) No shares of stock in Sub 6 will have been redeemed during the three years preceding adoption of the Plan of Liquidation.

(c) All transfers of property from Sub 6 pursuant to the Plan of Liquidation will be made within a single taxable year of Sub 6.

(d) As soon as the first liquidating distribution has been made, Sub 6 will cease to be a going concern and its activities will be limited to winding up its affairs, paying its debts, and transferring its remaining assets to Distributing.

(e) Sub 6 will retain no assets following the final liquidating distribution.

(f) Sub 6 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of the adoption of the Plan of Liquidation.

(g) Other than in connection with the Contribution, no assets of Sub 6 have been, or will be, disposed of by either Sub 6 or Distributing, except for dispositions in the ordinary course of business and dispositions occurring more than three years prior to the adoption of the Plan of Liquidation.

(h) Prior to the adoption of the Plan of Liquidation, no assets of Sub 6 will have been distributed in kind, transferred, or sold to Distributing, except for (a) transactions occurring in the normal course of business and (b) transactions occurring more than three years prior to the adoption of the Plan of Liquidation.

(i) Sub 6 will report all earned income represented by assets that will be distributed to Distributing such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(j) The fair market value of the assets of Sub 6 will exceed its liabilities (including any amount owed to Distributing, QSub 1, or QSub 2) both at the date of the adoption of the Plan of Liquidation and immediately prior to the time the first liquidating distribution is made.

(k) The fair market value of the assets of Sub 6 transferred to Distributing will exceed the sum of (a) the amount of liabilities assumed by Distributing and (b) the amount of liabilities owed to Distributing by Sub 6.

(l) There is no intercompany debt existing between Distributing and Sub 6, and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the date of the adoption of the Plan of Liquidation.

(m) Distributing is not an organization that is exempt from Federal income tax under § 501 or any other provision of the Code.

(n) The fair market value of the consideration received by Distributing for each share of stock in Sub 6 will approximately equal the fair market value of that stock.

(o) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Liquidation have been fully disclosed.

(p) Distributing will include Sub 6's all earnings and profits amount as a dividend to the extent required under §§ 1.367(b)-2(d) and 1.367(b)-3(b).

(q) The liquidation of Sub 6 will not include the distribution of any United States real property interests as defined in § 897(c)(1).

The Contribution and Distribution

(aa) Any indebtedness owed by Controlled (or any entity controlled directly or indirectly by Controlled) to Distributing (or any entity controlled directly or indirectly by Distributing) after the Distribution will not constitute stock or securities.

(bb) No part of the consideration distributed by Distributing will be received by either Shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(cc) The five years of financial information submitted on behalf of Business 1 conducted by Distributing (through QSubs and disregarded entities) and on behalf of Business 2 conducted by Distributing (through QSubs) is representative of the present operations of each business and, there have been no substantial operational changes since the date of the last financial statements submitted.

(dd) Neither Business 2 conducted by Distributing (through QSubs) nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the Distribution, QSub 1 and QSub 2 will have been the principal owners of the goodwill and significant assets of Business 2 and will continue to be the principal owners following the Distribution.

(ee) Neither Business 1 conducted by Distributing (through QSubs and disregarded entities) nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the Distribution, Distributing (through QSubs and disregarded entities) will have been the principal owners of the goodwill and significant assets of Business 1 and will continue to be the principal owners following the Distribution.

(ff) Following the Distribution, Distributing (through QSubs and disregarded entities) and Controlled (through QSubs) will each continue the active conduct of its business, independently and with its separate employees.

(gg) The Distribution will be carried out for the following corporate business purpose: to improve the credit rating of Business 2 by separating it from Distributing's other business activities. The Distribution is motivated, in whole or substantial part, by this corporate business purpose.

(hh) The Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.

(ii) There is no plan or intention to liquidate Controlled or Distributing, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Distribution, except in the ordinary course of business.

(jj) Any liabilities to be assumed (within the meaning of § 357(d)) by Controlled in the Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(kk) Distributing will neither accumulate its receivables nor make any extraordinary payment of its payables in anticipation of the Distribution.

(ll) No intercorporate debt will exist between Controlled (or any entity controlled directly or indirectly by Controlled) and Distributing (or any entity controlled directly or indirectly by Distributing) at the time of, or after, the Distribution, other than intercompany loans or obligations that have arisen, or will arise, between the parties in the ordinary course of business.

(mm) Payments made in connection with all continuing transactions between Controlled (or any entity controlled directly or indirectly by Controlled) and Distributing (or any entity controlled directly or indirectly by Distributing) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(nn) No two parties to the Distribution are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(oo) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.

(pp) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution or (ii) attributable to distributions on Distributing stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.

(qq) The Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4) in Distributing or Controlled (including any predecessor or successor of any such corporation).

(rr) Immediately after the transaction (within the meaning of § 355(g)(1)(B) and § 355(g)(4)), either (1) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)(3)) in Distributing or Controlled, or (2) if any person holds a 50-percent or greater interest (within the meaning of § 355(g)(3)) in any disqualified investment corporation (within the meaning of § 355(g)(2)), such person will have held such interest in such corporation immediately before the transaction (within the meaning of § 355(g)(1)(B) and § 355(g)(4)), or (3) neither Distributing nor Controlled will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(ss) The total adjusted bases and the fair market value of the assets transferred to Controlled in the Contribution each will equal or exceed the sum of: (i) the total liabilities to be assumed (within the meaning of § 357(d)) by Controlled, and (ii) the total amount of any money and the fair market value of any other property (within the meaning of § 361(b)) received by Distributing from Controlled and transferred to Distributing's creditors in connection with the transaction.

(tt) The total fair market value of the assets transferred to Controlled in the Contribution will exceed the sum of (i) the amount of any liabilities assumed (within the meaning of

§ 357(d)) by Controlled in connection with the exchange, (ii) the amount of any liabilities owed to Controlled by Distributing that are discharged or extinguished in connection with the exchange, and (iii) the amount of any cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without recognition of gain) received by Distributing in connection with the exchange. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the exchange.

(uu) The aggregate fair market value of the assets contributed to Controlled in the Contribution will exceed the aggregate basis of those assets.

(vv) The Corp Note will be bona fide debt for Federal income tax purposes.

The Elections

(aaa) QSub 2 is a corporation organized under the laws of Country X.

(bbb) QSub 1, a domestic corporation, has owned 100 percent of the capital stock of QSub 2 at all times relevant herein, and will continue to own 100 percent of the capital stock of QSub 2 after the Proposed Transactions.

(ccc) QSub 2 is maintained solely for the purpose of complying with the Country X Act, as amended, and other Country X laws to hold title to and operate a portion of the Structure located in Country X Location.

(ddd) Effective Date 1, Distributing, on behalf of QSub 1, made a valid election pursuant to § 1504(d) to treat QSub 2 as a domestic corporation for all U.S. Federal income tax purposes.

(eee) Effective Date 2, Distributing made an election under § 1362(a) to be an S corporation and QSub elections for QSub 1 and QSub 2 pursuant to § 1361(b)(3), and there is no plan or intention to revoke or otherwise terminate the S corporation election of Distributing or the QSub elections for QSub 1 and QSub 2 other than the termination of the QSub elections that will take place due to the Proposed Transaction.

(fff) Immediately after the Distribution, Controlled will be eligible to elect S corporation status pursuant to § 1362(a) effective immediately after the Distribution, and there is no plan or intention to revoke or otherwise terminate the S corporation election of Controlled.

(ggg) Controlled will elect to treat each of QSub 1 and QSub 2 as a QSub pursuant to § 1361(b)(3) effective immediately following the termination of their QSub elections that were originally made by Distributing, and there is no plan or intention to revoke or otherwise terminate the QSub elections for QSub 1 or QSub 2.

(hhh) Immediately after the Distribution, each of QSub 1 and QSub 2 will be eligible to be treated as a QSub of Controlled for U.S. Federal tax purposes.

Based solely on the information submitted and the representations provided, we rule as follows in connection with the Liquidation:

1. No gain or loss will be recognized by Distributing on its receipt (through QSub 2) of all the assets of Sub 6 in the Liquidation (§ 332(a)).
2. No gain or loss will be recognized by Sub 6 on the distribution of its assets to, and the assumption of its liabilities by, Distributing (through QSub 2) in the Liquidation (§ 337(a)).
3. The basis of each asset received by Distributing (through QSub 2) from Sub 6 in the Liquidation will equal the basis of that asset in the hands of Sub 6 immediately before the Liquidation (§ 334(b)(1)).
4. The holding period of each asset received by Distributing (through QSub 2) from Sub 6 in the Liquidation will include the holding period during which Sub 6 held that asset (§1223(2)).
5. Distributing will succeed to and take into account those attributes of Sub 6 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383 and 384 and the regulations thereunder (§ 381(a) and Treas. Reg. § 1.381(a)-1).
6. Distributing will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 6 as of the date of the Liquidation (§ 381(c)(2)(A) and § 1.381(c)(2)-1). Any deficit in the earnings and profits of Sub 6 can only be used to offset earnings and profits accumulated after the date of the Liquidation (§ 381(c)(2)(B)).

Based solely on the information submitted and the representations provided, we rule as follows in connection with the Contribution and Distribution:

7. The Butterfly Transactions will be disregarded for Federal tax purposes and treated instead as the Contribution, followed by the Distribution. (Rev. Rul. 83-142, 1983-2 C.B. 68, Rev. Rul. 77-191, 1977-1 C.B. 94, Rev. Rul. 62-138, 1962-2 C.B. 95, Rev. Rul. 57-311, 1957-2 C.B. 243 and § 1.1361-5(b)(1)(i)).
8. The Contribution and Distribution will constitute a reorganization within the meaning of § 368(a)(1)(D). Distributing and Controlled will each be "a party to a reorganization" within the meaning of § 368(b).

9. Distributing will not recognize any gain or loss on the Contribution (§§ 361(a) and 357(a)).
10. Controlled will not recognize any gain or loss on the Contribution (§ 1032(a)).
11. Controlled's basis in each asset received from Distributing in the Contribution will equal the basis of that asset in the hands of Distributing immediately before the Contribution (§ 362(b)).
12. Controlled's holding period in each asset received from Distributing in the Contribution will include the period during which Distributing held that asset (§ 1223(2)).
13. Earnings and profits will be allocated between Distributing and Controlled in accordance with § 312(h) and §§ 1.312-10(a).
14. Distributing will not recognize any gain or loss on the Distribution (§ 361(c)).
15. The Shareholders will not recognize any gain or loss (and will not otherwise include any amount in income) on the Distribution (§ 355(a)).
16. Each Shareholder's basis in a share of Distributing stock (as adjusted under § 1.358-1) shall be allocated between the share of Distributing stock with respect to which the distribution is made and the share or shares of Controlled stock received with respect to the share of Distributing stock in proportion to their fair market values in accordance with § 1.358-2 (§§ 358(b) and 358(c) and § 1.358-1).
17. Each Shareholder's holding period in the Controlled stock received will include that shareholder's holding period for the Distributing stock with respect to which the Distribution is made, provided that the Distributing stock is held as a capital asset on the date of the Distribution (§ 1223(1)).
18. Distributing's accumulated adjustments account immediately before the transaction will be allocated between Distributing and Controlled in a manner similar to the manner in which Distributing's earnings and profits will be allocated under § 312(h) (§ 1.1368-2(d)(3)).
19. Distributing's eligibility as a small business corporation as defined under § 1361(b) will not be affected by the reorganization under § 368(a)(1)(D) or the Proposed Transaction. Therefore, assuming that Distributing will otherwise meet the requirements of a small business corporation under § 1361(b), Distributing's status as an S corporation will not change.
20. Distributing's momentary ownership of the stock of Controlled, as part of the reorganization under § 368(a)(1)(D), will not cause Controlled to have an ineligible

shareholder for any portion of its first taxable year under § 1361(b)(1)(B). Therefore, assuming Controlled will otherwise meet the requirements of a small business corporation under § 1361, Controlled will be eligible to make an S corporation election under § 1362(a), provided that such election is made effective immediately following the Distribution.

21. Controlled will be eligible to elect to treat QSub 1 and QSub 2 as QSubs under § 1361(b)(3)(B), provided that such elections are effective immediately following the termination of the QSub 1 and QSub 2 elections as QSubs of Distributing.

22. The Distribution will cause the termination of the QSub election of Controlled because Controlled will cease to be a 100 percent subsidiary of Distributing. As a result, Controlled will be treated as a new corporation acquiring all of its assets (and assuming all of its liabilities) immediately before the Distribution from Distributing in exchange for stock of Controlled. Section 1.1361-5(b)(1). Because QSub 1 and QSub 2 are QSubs of Distributing before the Distribution, and Controlled will elect to treat QSub 1 and QSub 2 as QSubs of Controlled effective immediately following the Distribution, QSub 1 and QSub 2 will not be treated as separate corporations before or after the Distribution (§ 1.1361-5(b)(3), Example (9)).

23. The Contribution and Distribution will have no effect on the continued validity of the § 1504(d) election made by Distributing on behalf of QSub 1 on Date 1 to treat QSub 2 as a domestic corporation for all U.S. federal income tax purposes.

24. Controlled will be subject to § 1374 with respect to any asset transferred from Distributing to Controlled to the same extent that Distributing is subject to § 1374 with respect to such asset. For purposes of § 1374, Controlled's recognition period will be reduced by the portion of Distributing's recognition period that expires prior to Distributing's transfer of these assets to Controlled (§ 1374(d)(8) and Announcement 86-128, 1986-51 I.R.B. 22).

25. Distributing will continue to be subject to § 1374 with respect to its retained assets.

No opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding: (i) whether the Distribution satisfies the business purpose requirement of § 1.355-2(b); (ii) whether the Proposed Transaction is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both (see § 355(a)(1)(B) and § 1.355-2(d)); (iii) whether the Proposed Transaction is part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii); (iv) whether Distributing is a valid S corporation prior to the Distribution; (v) whether Controlled will be a valid S corporation after the Distribution; (vi) whether QSub 1 and QSub 2 will be valid QSubs

after the transaction; and (vii) whether the accumulated adjustment account was properly allocated between Distributing and Controlled.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Mary E. Goode
Senior Counsel, Branch 6
Office of Associate Chief Counsel
(Corporate)

cc: